

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

The Crowne Plaza Hotel
5985 West Century Blvd.
Los Angeles, California
January 27, 2000

PANEL MEMBERS

John Duncan
Chairman

Clifford Cummings
Member

Aram Hodess
Member

Patricia A. Noyes
Member

Tom Rankin
Member

Laurel Shockley
Member

Pat Williams
Member

Ruben H. Zuniga
Member

Executive Staff

Victoria Bradshaw
Executive Director

Oscar Wright
Assistant Director, Program Operations

Ada Carrillo
Acting Assistant Director, Administration

Peter G. DeMauro
General Counsel

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I. CALL TO ORDER

Chairman John Duncan called the public Panel meeting to order at 9:04 a.m. He introduced and administered the Panel's Oath of Office to Tom Rankin, President of the California Labor Federation, AFL-CIO, who has been appointed to the Panel replacing Ralph Franklin. Chairman Duncan noted Mr. Franklin's distinguished service.

II. ROLL CALL

Members Present

John Duncan, Chairman
Aram Hodess
Pat Noyes
Tom Rankin
Laurel Shockley
Pat Williams
Ruben H. Zuniga

Members Absent

Clifford Cummings

III. APPROVAL OF AGENDA

Ms. Bradshaw reported the Appeal for the Copper Connection, which is scheduled to be heard this afternoon at 1:00, has been withdrawn. There has been a request to change the order of Agreements to be heard. Kathleen Milnes and the Entertainment Industry Development Corporation has to attend a Workforce Investment Board Meeting in Millbrae this afternoon and in order to arrive on time, she would like to present their Proposed Agreement immediately following the presentation of the Amendments.

ACTION: Mr. Hodess moved and Mr. Zuniga seconded the Panel approve the meeting agenda as proposed.

Motion carried, 7 – 0.

IV. APPROVAL OF MINUTES

ACTION: Mr. Zuniga moved and Ms. Williams seconded the Panel approve the minutes of the December 16, 1999, as presented.

Motion carried, 7 - 0.

V. REPORTS OF THE PANEL MEMBERS

There were no reports from the Panel members.

VI. REPORT OF THE EXECUTIVE DIRECTOR

Ms. Bradshaw reported effective December 8, 1999, the Regulations went into effect regarding the SET frontline workers provision and the ability of contractors now to include health benefits in the retention wages so as to be consistent with the rest of the Panel's enabling legislation. She requested the Panel allow those contractors, who had Agreements prior to the effective date, to utilize that provision in order to be consistent with contracts that will go into effect this month. ETP would like to do it by way of a memorandum of understanding (MOU) rather than by the Amendment process. Staff intends to notify the Contractors that this health benefit adjustment is available to them. If they elect to utilize the provision, the Panel will enter into an MOU with the contractor.

Mr. Hodess questioned if there will be an adjustment potentially lowering the wages from what was committed in the Contracts under this scenario.

Ms. Bradshaw stated the provision will allow more people to get training who would not have made the wage requirement as opposed to employees having their wages reduced.

Ms. Bradshaw announced the Department of Finance approved ETP's Budget Change Proposal to augment ETP's appropriation by \$15 million from the unappropriated Employment Training Fund and the \$15 million is included in the Governor's budget. ETP has had their first staff meetings with the Senate and Assembly Budget Committees and they seem to be very supportive. For the last several years, the Department of Finance had redirected \$15 million out of the ETP fund to the Department of Social Services for Welfare to Work to help in the state's maintenance of effort requirements under the Federal Welfare Reform Legislation. This year they redirected \$30 million out of the ETP Fund into the Department of Social Services. ETP is still working with the Department of Finance to correct this so it will revert to the previously agreed \$15 million. Ms. Bradshaw will keep the Panel updated as to how that issue is progressing.

Ms. Bradshaw stated if the Panel approves today's Agreements totaling \$6.5 million, we will have approved contracts totaling \$59.5 million out of \$68.9 million total funds available for this fiscal year. We have \$38.9 million of unencumbered money.

VII. REPORTS OF THE ASSISTANT DIRECTORS

Applications Activity

Mr. Wright referred the Panel to the reports on the application activity. We have been averaging 46.3 Requests for Eligibility Determination a month. Projects approved have been averaging 20.1 a month with an average of \$8.5 million.

VIII. REPORT OF THE GENERAL COUNSEL

The General Counsel had no report.

IX. OLD BUSINESS

There was no Old Business

X. PUBLIC COMMENT

There were no members from the public who wished to comment.

XI. CONSENT CALENDAR, FINAL AGREEMENTS AND AMENDMENTS

Mr. Wright announced the California Farm Bureau Federation has withdrawn their project from presentation this month as they are still in the process of development.

Amendments

CMA Consortia II (Welfare to Work)

Charles Lundberg, acting manager of ETP's Sacramento field office, reported the Amendment for CMA Consortia II (W2W) has been withdrawn from consideration at this month's Panel meeting.

Genlyte Thomas Group LLC (Thomas Lighting)

Mr. Lundberg presented an Amendment from Genlyte Thomas Group LLC to decrease the numbers to retain/enroll by 158 retrainees and eliminate all training except Office Automation Skills, reducing the original Agreement by \$228,273. Company representatives report the

delay in the start of training and hindered progress in the administration of the training program are the factors behind this request. The Contractor's representatives state the company employees must learn this new software to streamline the business processes that are an integral part of changing to a high performance workplace. The Contractor has agreed to provide the training that is being eliminated by this amendment in a subsequent agreement. ETP funds earned under this Amendment will be withheld until the high performance workplace skills training is delivered under the next Agreement. The following provision will be added to the Agreement: "ETP shall withhold any funds earned under this Agreement until Contractor completes training its employees in the skill areas relating to high performance workplace skills as set forth in the original terms of this Agreement. Failure of the Contractor to substantially complete the training in high performance workplace skills as set forth in the original terms of the Agreement shall result in the earned funds reverting to ETP. Such high performance training must be completed not later than 24 months from the date of this Amendment."

Staff recommended the Panel approve the Amendment based on the Contractor's stated goal to continue its transition to a high performance workplace and contingent upon receipt of a union letter in support of the project Amendment. Training may not begin prior to receipt of the union letter by ETP.

Ms. Bradshaw clarified that when the Agreement was first approved by the Panel in February 1998, the Panel approved a complete high performance workplace Agreement. When this company had problems getting delivery and implementation of its software, they could not implement the high performance workplace part of the Agreement. They wanted to delete all of the high performance workplace training leaving the office automation training. Staff had a problem with that because the Panel had approved a high performance workplace training project and not a stand alone office automation project. The options were to terminate the first Agreement in its totality and come back when the company was ready or to allow them to go forward with the office automation part but withhold payment until they completed the entire project or to do it by way of an Amendment. The Amendment option is preferable. This Amendment is to allow the company to go forward with the office automation part of the training, but withhold payment until the company completes the entire project.

Mr. Hodess asked if in the event this project is approved and subsequently the company makes an application for high performance workplace skills training and ETP denies the request, will the company provide training on their own and are we going to monitor performance?

Ms. Bradshaw stated the company will not get paid on the office automation portion until the company completes the high performance workplace training whether ETP pays for that portion of the training or the company pays for it.

Ms. Williams questioned if staff has received a letter of support from the union.

Mr. Lundberg replied the company has stated the letter is forthcoming; however, staff is asking that approval be contingent upon the letter being received by ETP.

ACTION: Ms. Noyes moved and Mr. Zuniga seconded the Panel approve the Amendment as recommended with contingencies.

Motion carried, 7 - 0.

Rockridge Technologies, Inc.

Mr. Lundberg presented an Amendment for Rockridge Technologies, Inc. to shift some of the trainees to other job slots to provide the needed extra training hours that those trainees require. The company provides non-destructive testing of key components and systems in the nuclear power plants. The goal of the company's work is to prevent premature failure of these systems, which could be costly and disastrous for Rockridge's customers and for the general population. Staff recommends Panel approve this amendment. ETP received a union letter of support from Operating Engineers Local No. 3. The letter was distributed to the Panel.

Mr. Rankin was concerned that unions are not being consulted early enough in the ETP process to get the timely support letters to the Panel.

Mr. Lundberg assured Mr. Rankin part of the initial process is to obtain letters of support from the unions.

Ms. Bradshaw stated that often the individual from the union who is working with the employer on the development of the project is not the one who has the authority to write the letter. She said ETP had a problem in the past with people writing letters of support and they were not the appropriate signatory from the union.

ACTION: Ms. Williams moved and Mr. Hodess seconded the Panel approve the Amendment as recommended.

Motion carried, 7 - 0.

Sears Logistics Services

Mr. Lundberg presented an Amendment for Sears Logistics Services (SLS) for a Phase II expansion of training, in which the Contractor will add additional job numbers and shift some trainees between groups to enable certain key employees to receive additional training. Sears Logistics is proposing to add additional modules of training for trainees already enrolled in the program based on company needs and the current skill levels of the employees. Company officials have determined that an additional 48 employees require training in the skill areas that would be added to the training curriculum. This involves a spectrum of skills under Continuous Improvement and Management Skills. Sears Logistics Services provides warehouse distribution services, shipping to retail stores throughout the Western United States. SLS's overall goal is to ensure that cost effectiveness and quality will continue to improve through training to move toward a high performance workplace. Staff recommended that the Panel approve this Amendment which would allow SLS, a significant

employer in a part of California with generally higher unemployment, a more direct path toward the improved productivity and enhanced business viability than would otherwise not be possible without the training requested under this Amendment.

ACTION: Ms. Williams moved and Ms Shockley seconded the Panel approve the Amendment as recommended.

Motion carried, 7 – 0.

Safeway, Inc.

Creighton Chan, manager for ETP's San Mateo field office, presented an Amendment for Safeway, Inc. At the urging of ETP, the original contract dollar amount was conservative. Safeway agreed that it was advantageous to begin the contract with a relatively small number of trainees until the company had experience with the ETP process and the company's new training initiative. Six months after starting the contract, Safeway has made progress and learned a lot about the company's training capabilities and its ability to manage an ETP contract. Based on the first phase of this project, Safeway is requested an Amendment to add an additional 90 retrainees thereby increasing the Agreement amount by \$187,750. Safeway, Inc. has not been funded by the Panel for over a decade; however, Vons, which merged with Safeway in 1997, has received Panel funds during the recent past five years. Because former Vons employees may be retrained under this Amendment, and there were two prior Panel Agreements for approximately \$250,000 serving workers at the same facility, staff has imposed a 30 percent substantial contribution on those trainees who were former Vons employees. Staff recommended approval of the Amendment based on Safeway's stated goal to provide career advancement and long-term job opportunities for its frontline workers. Letters of support have been received from the local unions.

ACTION: Mr. Rankin moved and Mr. Zuniga seconded the Panel approve the Amendment as proposed.

Motion carried, 7 - 0.

SAP Labs, Inc.

Mr. Chan presented an Amendment request from SAP Labs, Inc. to increase the Agreement amount by \$580,000. The original Agreement was funded under Section 10214.5(a)(1) supporting training for frontline workers in occupations that pay 95 percent of the State average hourly wage. This Amendment would expand the training project considerably, adding employees to be funded under ETP's standard economic development category because the company meets out-of-state competition criteria. This SAP Labs facility is primarily a research and development facility which develops software for the SAP system that is applicable to industries. They do not tailor products for a specific company. The company is experiencing a rapid growth and is projecting employee growth to more reach than 500 by the end of year 2000. Based on the success of the initial phase of training and the rapid growth, SAP Labs is requesting an Amendment to train an additional 397

trainees. Until the current ETP Agreement was approved, SAP Labs had no formal training program. Although the company offers training to its customers, SAP Labs had no internal employee development program. SAP Labs hires new employees with needed skills rather than train or upgrade incumbent employees. With ETP's assistance, a small, initial training program began earlier this year. The company is now ready to expand its training to more employees.

Mr. Chan introduced Fred Simkovsky, Technical Trainer of Human Resources for SAP Labs, Inc., and Steve Duscha of Duscha Advisories. Mr. Simkovsky thanked the Panel for their previous assistance in enabling SAP Labs to pilot their first new employee development program which really gives the employees the functional basis of education that they need to be successful at SAP Labs.

Ms. Noyes was concerned as to what point does an Amendment become basis for a completely separate contract. She said this Amendment is substantially different from what we approved in the first phase and contains different criteria and significantly more people.

Ms. Bradshaw stated this Amendment was actually treated as a new contract. When this Amendment went through the process, staff went through the analysis as if it were a new contract due to the significant increase and the change in the scope. Staff is trying to be responsive to SAP's needs because the industry they are in is rapidly changing and the company's workforce is expanding rapidly.

Ms. Bradshaw stated over the past year, certain projects under \$100,000 have been presented to the Panel because ETP knew these projects were going to expand and the Panel would then be involved in the entire process. ETP's interest is to keep new contracts relatively confined until we are certain they can manage their project and then we allow them to expand.

Mr. Hodess expressed concern that even though the company was experiencing significant growth, the company has no formal training program. He asked about their plans for a formal training program.

Mr. Simkovsky stated he was hired last year specifically to develop training programs. The company is in the process of coordinating the training here in the Americas with the parent company, SAP AG, in Germany. The process of aligning the training between the companies is estimated to take approximately one year. At the same time, since the company has experienced such a rapid growth, he said programs need to be developed immediately to meet the needs of employees locally.

Ms. Bradshaw explained that the Panel is concerned about whether or not this is going to be a one-time training attempt by SAP Labs or is SAP committed to on-going training of its workforce. The Panel wants to be assured that after expending the \$619,000, the company will have in place on-going skills training.

Mr. Simkovsky assured the Panel the funding from ETP is actually helping the company to pilot the whole internet technology training program. He assured the Panel that by the end of this year the company will have a continuing program in place for its employees.

Mr. Hodess was still concerned about the company's in-kind contribution and the company's commitment to training for the future. Mr. Hodess favored tabling this proposal until SAP Labs can come back with a definitive proposal on what their training program will be. He did not feel public funds from the state should subsidize an industry experiencing tremendous growth.

Mr. Duscha stated he believed an estimate of in-kind contributions was submitted as part of the application. He also believes the public policy reason for looking at this kind of contract is to try to jump-start a new enterprise in California. He does agree that a Company of this size should take over the training once the ETP funding is utilized. He understands the company does have a commitment to do that.

Mr. Hodess requested he would not only like to hear about the company's in kind contributions but also what the company's training plans will be after the ETP training has ended and has been fully funded. He stated it is obvious if a company is experiencing this type of rapid growth, the company is going to have to start doing some significant training if it is to stay competitive and grow.

Ms. Bradshaw suggested the proposal not be tabled to another meeting but rather it be continued until the end of the Agreements presented today.

Mr. Duncan announced the SAP Labs, Inc. Amendment proposal will be postponed until the end of this morning's session to allow the representatives to compile necessary data.

The Panel agreed with Ms. Bradshaw's suggestion to have staff bring substantial Amendments to the Panel in the format of an original contract. Mr. Duncan stated it is also helpful to have a member of the company present when such Amendments are presented.

Skadron College, Corinthian College, Inc.

Diana Torres, manager of ETP's San Diego field office, presented a proposed Amendment for Skadron College, Corinthian College, Inc., for an additional \$186,760. Skadron College projects a placement rate of 100 percent from the original Agreement. The Contractor requested to add an additional 140 retrainees to the Agreement as an Amendment to address continuing participating employer training needs. Staff recommended approval of the Amendment as proposed.

ACTION: Ms. Noyes moved and Ms. Williams seconded the Panel approve the Amendment as proposed.

Motion carried, 7 – 0.

SET – National Alliance of Business

Ron Tagami, manager of ETP's North Hollywood field office, presented an Amendment for National Alliance of Business, Inc. to meet the changing needs of the employers. An increasing number of companies are sending their workers to a single type of training rather than a combination of two types of training as in Job 3. Job 4 was created partly for a specific participating employer who had committed to train 200 workers and has recently ceased business and left the Contractor with slots they are unable to fill. Since the demand remains strong for training in Job 1, the Contractor requests that the unused slots in Jobs 3 and 4 be allocated to Job 1. This proposed Amendment would decrease the total amount of the Agreement by \$389. Staff said the Contractor's request was reasonable and recommended the Panel approve this Amendment.

Mr. Tagami clarified Mr. Rankin's question regarding union support when there are multiple employers with both union and non union trainees. If a company has employees covered by collective bargaining agreements and the union employees are to be included in the training, ETP needs to get a letter from that union approving and supporting the training. In a consortia training contract, when the Contractor proposes to bring in new employers who may be involved in collective bargaining, it is at that point we obtain letters from the union. This Amendment would simply shift slots to meet the needs of the employer community.

Ms. Bradshaw explained the difference between a single employer contract and a multiple employer/consortia contract. In a single employer contract, we know ahead of time that there is a union involved. In a multi employer contract, the Contractor has to show us that there is a need for this training by listing the employers who wish to participate. That may not be all of the employers who ultimately participate in the program. As those who participate in the program are brought forward, and there is a collective bargaining agreement involved, it is at that point we obtain the letter of support from the union. We do not know all of the participating employers at the time this type of Agreement is approved.

ACTION: Ms. Shockley moved and Mr. Zuniga seconded the Panel approve the Amendment as proposed.

Motion carried, 7 – 0.

XII. REVIEW AND ACTION OF AGREEMENTS AND PROPOSED AGREEMENTS

Proposed Agreements

Entertainment Industry Development Corporation

Mr. Tagami presented a proposed Agreement for Entertainment Industry Development Corporation (EIDC) in the amount of \$555,000 for 300 retrainees in Computer Skills. The EIDC serves the film industry by issuing production/filming permits for the City and County as well as five incorporated cities in the Los Angeles area, and promotes the California film industry to the world to bring business into the state. The entertainment industry requires cutting-edge technology to remain competitive. The changes and upgrades in digital software are continual and demand up-to-the-minute knowledge of their function and use. In the course of EIDC's marketing efforts, it became apparent that many small companies were in need of training to provide these skills to their employees. In order to increase the industry's access to training funds, EIDC, as an economic development agency, decided to submit an application on behalf of a number of employers, training providers, and a core group of training agencies with a much needed curriculum and strong relationships in the industry. This project is supported by the Alliance of Theatrical Stage Employees and the International Brotherhood of Electrical Workers Unions.

Budgets will be used to determine the ETP reimbursement for this project. The proposed Agreement is being submitted with an estimated cost per training hour based on the rate used in current and previous Agreements with similar curricula. Once the budgets from the Contractor and each of the training subcontractors are finalized, the cost will be presented in the final Agreement.

Staff recommended the Panel approve the proposed Agreement contingent upon submission, review, and approval by the Executive Director of the budget workpapers from the Contractor and each training provider, final curriculum, and finalized subagreements.

Mr. Tagami introduced Kathleen Milnes, Senior Vice President. Ms. Milnes introduced David Wilson, President of the PMR Group, Inc., one of EIDC's consultants; Janee Thiel, General Manager, and Louise Hogarth, Training Co-ordinate, of Montana Edit; Diana Weynand and Shirley Craig from Weynand Training International; David Bawel, President, Sally O'Steen, Senior Project Manager, and Greg Taylor, Training Director, from Spectrum Studios.

ACTION: Ms. Williams moved and Mr. Rankin seconded the Panel approve the Proposed Agreement as presented with contingencies.

Motion carried, 7 – 0.

Ms. Williams introduced retired super bowl NFL player Reggie Berry who was in the audience.

SET - SAP Labs, Inc. Cont'd.

Ms. Bradshaw reported the training certification SAP submitted was reviewed, and the in kind contributions paid for by the company, which are in addition to any ETP requested funds, were identified. The training and training related costs not covered by ETP funds are \$300,000. Wages paid to employees during the training are \$580,000.

Mr. Duscha explained all ETP training will be completed in the year 2000. In the year 2001, all training will be strictly supported by SAP LABS. The training that will take place this year is a pilot to build a training capacity within SAP Labs. In the year 2001, that capacity will be supported entirely by SAP by providing at least 200 hour of training for every new employee hired thereafter, and at least 100 hours of training for existing employees. The cost of that training amounts to approximately \$300,000 in training costs and approximately \$2 million to \$5 million in salary costs for persons in training for that year.

Mr. Hodess asked what would the company do if SAP Labs did not get this training contract approved?

Mr. Simkovsky stated SAP Labs is a separate entity from SAP AG. SAP Labs would have to go back and try to obtain some funding from within the company, but it would be very difficult. What would actually happen is SAP Labs would have to strictly rely on hiring people who already had the necessary training, which is getting more and more difficult because the demand for this type of trained people in the Silicon Valley is extremely high. The company would probably only be able to do half the training this year.

Mr. Hodess was concerned about allocation of ETP's limited resources and the Panel's need to target those funds to areas of the economy that are the most challenged competitively. He said he does not believe this situation meets that criterion. Mr. Hodess stated that he assumes the parent company in Germany spends tremendous amounts of money training their German workers and he would like to see the same type of commitment from that parent company training workers here. He believes the public does not want the Panel unnecessarily subsidizing industries but rather helping challenged industries compete. He cannot support this Amendment and thinks SAP Labs should look at their own resources for training.

ACTION: Mr. Hodess moved to not approve this proposed Amendment.

Ms. Williams asked Mr. Hodess for a compromise to his motion. She suggested the Panel table this proposal until the company can provide more information.

Mr. Hodess felt the current information provided is inadequate for him to support the proposal at this time. He is open to hearing more information.

There being no second to Mr. Hodess' motion, the motion died.

ACTION: Ms. Williams moved the proposal be tabled.
Motion carried 4 – 3 (Roll call vote: Ayes: Aram Hodess, Tom Rankin, Pat William, Ruben Zuniga. No's: Pat Noyes, Laurel Shockley, John Duncan).

Mr. DeMauro explained a tabled motion takes it off the Agenda for this meeting and it is not subject to a date certain. If there is no motion to bring it back at the next meeting, the motion expires at the conclusion of the next meeting. A tabled motion is not subject to discussion. He suggested taking the motion off the table and move to continue it next meeting.

ACTION: Mr. Zuniga moved the motion be taken off the table and to continue the consideration of this Agreement to the next meeting thus allowing the company the opportunity to gather information needed to re-present. Ms. Williams seconded the motion.

Ms. Bradshaw requested clarification on what information the Panel wants the company to bring back.

Mr. Hodess stated he opposes the proposal and wasn't looking for specific information to be provided. However, it would be helpful for SAP to provide information on the company's future training plans and funding as well as an economic justification on why they need the funding. He would like to see a comparison of training provided by the parent company. He would also like to see why, with the growth that we are seeing in this company, they cannot afford to fund training themselves.

Ms. Bradshaw stated her concern is if we are going to change the rules and look at economic necessity as being an issue, then the Panel needs to agree that it is an issue they will apply to all programs that come before the Panel as opposed to selective programs. If that is the issue with this particular project, she is not sure that criteria was explained to the company as a matter on which they would be judged nor was it applied to other companies appearing before the Panel today. Ms. Bradshaw stated that If we are going to continue this matter to the next meeting for more information, it does not appear likely that more information is going to satisfy the concerns of the Panel, noting that the company did present their in kind contribution, and their training obligation post contract.

Mr. Duncan would like to have the Panel revisit this proposal at the next Panel meeting.

Motion carried 7 - 0 (Unanimous roll call vote).

Ms. Bradshaw raised an issue dealing with union support letters. Over the past couple of years, staff has worked with unions and management to obtain support letters in time for the Panel meeting. Staff is going to change that format so that ETP will not agendize any proposed project where there is union involvement unless there is a union support letter.

One-Step Agreements

Access USA Computer

Mr. Lundberg announced Access USA Computer and Management Training Center has requested to be withdrawn from this Panel meeting and brought back to the next Panel meeting.

Breck & Young Advisors, Incorporated

Mr. Lundberg presented a One-Step Agreement for Breck & Young Advisors, Inc., in the amount of \$149,316. This unique combination training project includes Breck & Young Advisors, a single employer contractor, a consortia of registered, full-service investment advisor broker-dealers and their staffs, and owner/employers under Special Employment Training (SET) Entrepreneurial funding. Contractor representatives reported this training supplements, rather than displaces, training funded through existing programs. In addition, training and related training cost not covered by ETP funds are estimated at \$45,000 and wages paid to employees during training will be approximately \$231,302.

Staff recommended the Panel approve this One-Step Agreement contingent upon receipt of consortia agreements between the Contractor and the participating employers. The consortia agreements must set forth the special and unique training needs of the Contractor, and the Contractor's acceptance of full financial responsibility under this Agreement .

Mr. Lundberg introduced Christopher Ranney, Executive Vice President of Breck & Young Advisors, and Jack Morehouse of Training Resources International, Inc.

Mr. Rankin questioned the low range of wages listed. He felt the wages listed did not meet the wage range for an owner or entrepreneur. Mr. Lundberg explained we do not list wages of the owner under the SET Entrepreneurial category. The wages listed are for the employees of the firms.

Mr. DeMauro stated the retention performance requirement in entrepreneurial training is that the company have at least the same number of employees at the end of the training as at the beginning.

ACTION: Ms. Williams moved and Ms. Noyes seconded the Panel approve the One-Step Agreement as presented.

Motion carried, 7 – 0.

Procter and Gamble Manufacturing Company

Mr. Lundberg presented a One-Step Agreement for Procter and Gamble Manufacturing Company to retrain 69 employees in the amount of \$111,504. Employees will be relied on to a greater degree for problem solving, system improvements, and system ownership. Employees in each operating team will be cross-trained to allow for improved flexibility, working where immediate business needs are greatest. The training will upgrade the skills of employees. The training has the support of the Independent Oil and Chemical Workers of Sacramento Union. The company has requested a start date of January 31, 2000, which is earlier than the customary start date permitted by ETP.

Mr. Lundberg introduced Saba Joseph, Plant Manager, and Marlo Ghezzi, Human Resources Manager. Mr. Joseph stated they have invested \$700,000 in training over the past three

years and they have plans to invest \$300,000 a year for future on-going training. The ETP funding will allow them to provide a higher quality of training than they have provided in the past.

ACTION: Mr. Rankin moved and Ms. Williams seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 7 - 0.

Santa Rosa Junior College

Mr. Lundberg presented a One-Step Agreement for Santa Rosa Junior College for 254 retrainees in the amount of \$222,700. The college has been approached by several area businesses seeking more productive and effective work from their employees. Officials of these businesses have determined that skill-based training, which focuses on improving performance for specific occupational requirements, will fulfil this need and lead to reduced costs and improved business viability. Santa Rosa Junior College is proposing a customized training program comprised of a selection of training modules in Business Skills, Continuous Improvement, and Manufacturing Skills. The training provided in this project is customized to the employers' needs and is designed to provide employees with occupational skills that will further the employers' overall goals of reducing production costs and enhancing productivity.

Mr. Lundberg introduced Betsy Roberts, Director of Contract Education. Ms. Williams noted there were a variety of employers they are going to outreach to and reminded Ms. Roberts to make sure there is a union letter of support from those who have union involvement.

ACTION: Ms. Williams moved and Mr. Zuniga seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 7 – 0.

ZiLOG, Incorporated

Mr. Chan presented a One-Step Agreement for ZiLOG, Inc. in the amount of \$115,400 to retrain 222 employees. ZiLOG's products include television remote controls, keyboards, and computer mice. ZiLOG creates progressive embedded and integrated technology solutions that improve the performance of products and appliances. The ever-changing industry demands that ZiLOG continue to develop new products while also redesigning existing products to reduce costs and increase efficiency. Semiconductor design methodologies are complex and subject to rapid technological change, making it imperative that ZiLOG transition to a high performance workplace. In the past, ZiLOG has been mostly management training and limited technical training with no formal training assessment. ZiLOG has begun a transformation under the leadership of a new CEO. The company will begin implementation of training for all levels of the organization, including certification programs and a variety of technical and non-technical classes, which will strengthen their workforce to meet the increasing demands of this competitive industry. ZiLOG is fully committed to making training

a continuous process, a necessary step in becoming a high performance workplace. Training and training related costs not covered by ETP funds total \$600,000 and wages paid to employees during training will be \$338,953.

Mr. Chan introduced Augusta Allen, Director of Human Resources; Fred Dalili, Global Training Manager of Human Resources; and Maria DeLaMesa, Training Coordinator.

ACTION: Ms. Williams moved and Ms. Noyes seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 7 – 0.

Hampton Products International

Ms. Torres presented a One-Step Agreement for Hampton Products International Corporation, a company of less than 100 employees, and a manufacturer of security hardware, for a total program cost of \$123,891. Hampton faces intense competition, as some competitors have moved their manufacturing operations to China and Mexico to lower production costs. Hampton has made a commitment to remain in California, and to remain competitive they must lower their costs through operational efficiencies, innovation, and by providing superior customer service. This training project includes 34 persons who do not have the skills or the means to readily remain in the labor force because they lack communication skills. Each of the 34 individuals has at least two barriers to full-time employment. Twenty-five of the 34 must first be provided 100 hours of Vocational English as a Second Language (VESL) prior to starting the Continuous Improvement training. Therefore, the Contractor is requesting the Panel permit their hours of VESL training to exceed the standard 45 percent of the skills training cap as provided for in the Panel's regulations. The regulations allow the Panel to waive the 45 percent cap for individuals with barriers to full-time employment. The Contractor also states that the wage level paid to these trainees is equivalent to the wage level for like jobs in the Orange County area. Therefore, the Contractor is requesting the Panel waive the minimum hourly wage of \$10.44 for Orange County and permit a wage level of \$6.63 per hour for the 25 trainees and \$7.03 per hour for 9 trainees. Without this waiver, the Contractor will not be able to retrain these individuals and they would be in serious jeopardy of not remaining in full-time employment.

The company has requested a 50 percent progress payment at enrollment, in lieu of the standard 25 percent, because they are a small company with less than 100 employees operating on very low margins. The 50 percent progress payment at enrollment will enable the company to have sufficient funds to provide the training, and bring their out-of-pocket training costs to a manageable level. Without this modified progress payment reimbursement schedule, the company will experience significant cash flow problems in the first six months of training. The company's in kind contribution is \$20,790 for training and training-related costs, and \$77,817 for wages paid to employees during training. Staff recommended approval of the One-Step Agreement and approval of applicant's request that the Panel waive the ETP required minimum hourly wage at retention of \$10.44 per hour for Orange County and allow the minimum wage at retention to be \$6.63 per hour for 25 trainees in Job 5, and \$7.03 per hour

for 9 trainees in Job 6; the Panel waive the limitation on VESL training to 45 percent of job skills training for 34 employees with barriers to full time employment; and the Panel permit the increase of the progress payment at enrollment from 25 percent to 50 percent.

Ms. Torres introduced Robert L. Gast, Vice President, Manufacturing, Research and Development. Mr. Gast read a letter of support from the president of the Corporation.

ACTION: Mr. Rankin moved and Ms. William's seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 7 - 0.

The Boeing Company

Mr. Tagami announced The Boeing Company has been withdrawn.

City of Long Beach/Career Transition Center Private Industry Council (PIC)

Mr. Tagami presented a One-Step Agreement for the City of Long Beach/Career Transition Center (PIC) for \$500,340 to retrain 600 workers. The PIC, through the use of Job Training Partnership Act (JTPA) funds, assists local employers to find and/or train qualified employees for their companies. The companies are satisfied with the training their new employees receive and have expressed a need to provide training to their current workforce, and have made requests of the PIC to provide that training. Current JTPA regulations do not provide funds to be used to train current incumbent workers. This project is designed to assist small and mid-size companies, which constitute over 90 percent of the business entities in Long Beach. These companies are facing an enormous degree of competition in today's global market.

Mr. Tagami introduced Sheri Rossillo, Business Services Coordinator, and Deborah Imonti, Employer Project Analyst.

ACTION: Ms. Williams and Mr. Zuniga seconded the Panel approve this One-Step Agreement as proposed.

Motion carried, 7 – 0.

Entenmann's Inc. (Bestfoods Baking Co.)

Mr. Tagami presented a One-Step Agreement for Entenmann's Inc. (Bestfoods Baking Co.) to retrain 133 employees in the amount of \$167,310. Entenmann's produces sweet products, Orowheat bread, roll and muffin products, and institutional bread products in their Montebello manufacturing facility. Entenmann's is the second largest employer in the Montebello community. Since 1995, Bestfoods Baking Company has invested more than \$28.8 million in state-of-the-art equipment at the Montebello facility. Employees must learn new skills in order to maintain and repair the new equipment. Entenmann's is striving to become a high performance workplace. The training proposed in this agreement will provide the employees with complex job skills, help them gain mastery over machines and assist in more effective

interaction in the manufacturing environment. This training project has the support of the local unions.

Mr. Tagami introduced Chris Botticella, Director of Operations, and Aleksandra Needles, Human Resources Manager of Operations. Ms. Needles presented a letter of support from the Vice President and General Manager. Ms. Botticella introduced Union Representatives: Amador "Max" Chavez, Directing Business Representative for District Lodge No. 94 of the International Association of Machinists and Aerospace Workers, and Peter Lowry, President and Business Agent for the Bakery, Confectionery, Tobacco Workers' & Grain Millers Union Local No. 37.

ACTION: Mr. Zuniga moved and Ms. Shockley seconded the Panel approve this One-Step Agreement as proposed.

Motion carried, 7 – 0.

Hawker Pacific Aerospace, Inc.

Mr. Tagami presented a One-Step Agreement for Hawker Pacific Aerospace, Inc. to retrain 272 workers in the amount of \$99,008. Hawker Pacific Aerospace repairs and overhauls aircraft and helicopter landing gears, hydro-mechanical components and wheels, and brakes and braking system components for an international customer base. A major domestic supplier has requested permission to observe Hawker's internal improvement program in order to ensure that the amount of rework is being significantly reduced. If the company does not show improvement, they will lose this supplier as one of their major customers. Therefore, in order to reach the goal demanded by customers, employees must learn the skills associated with these demands or face being replaced with others who already have the skills.

Mr. Tagami introduced Dave Clark, Director of Engineering and Quality Assurance.

ACTION: Mr. Hodess moved and Ms. Noyes seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 7 – 0.

International Education Corporation

Mr. Tagami presented a One-Step Agreement for International Education Corporation (IEC) to retrain 197 employees in the amount of \$165,480. To remain competitive, IEC is requesting the Panel's assistance to provide training to their current employees in continuous improvement, process improvement/management, quality control, report retrieval analysis, and computer skills.

Mr. Tagami introduced Rose Hernandez, President Custom Training Division.

ACTION: Ms. Williams moved and Ms. Noyes seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 6 – 0 – 1 (Mr. Rankin abstained).

Ms. Bradshaw presented a potential policy question to the Panel regarding programs that provide funding to a training agency for training their own administrative staff. Ms. Bradshaw recommended to the Panel that this issue be brought back at the next Panel meeting with a recommendation from the Panel whether or not ETP will fund training for any future contracts that come forward from ETP-funded training agencies for training their own staff.

ACTION: Ms. Noyes moved and Ms. Shockley seconded the Panel approve a moratorium be placed on accepting any applications from training agencies for training their own staff until the Panel has the opportunity of resolving this issue.

Motion carried, 7 – 0.

Mr. Tagami requested the One-Step Agreement for Rockview Dairies, Inc. be presented out of order due to a scheduling conflict.

Rockview Dairies, Inc.

Mr. Tagami presented a One-Step Agreement for Rockview Dairies, Inc. in the amount of \$137,696 to retrain 127 employees. Rockview Dairies, Inc., a small, family owned independent milk processing company, is the only major dairy in Southern California to produce its own milk. To remain competitive, Rockview Dairies plans to implement high performance workplace strategies. To encourage growth of their business, they are developing new products and expanding the geographic areas they serve. They must continue to improve the quality of their products by decreasing bacteria count and building brand awareness. To accomplish company goals, they propose to train employees in leadership, team building, process improvement, lean manufacturing, and computer skills. Rockview Dairies has the support of the local Teamsters Unions.

Mr. Tagami introduced Ted Degroot, General Manager.

ACTION: Mr. Rankin moved and Ms. Williams seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 7 – 0.

Miller Brewing Co.

Mr. Tagami presented a One-Step Agreement for Miller Brewing Co. in the amount of \$601,684 to retrain 625 employees to reach high performance goals. Training will include Continuous Improvement, Computer Skills, Manufacturing Skills, and Business Skills. Manufacturing skills and Business Skills modules address cross-training and higher skill

requirements for workers involved with facility and machine operation, the production cycle, produce quality, and manufacturing support functions. Continuous Improvement training will address team problem solving and decision making, communications, and creating optimum working relationships. This project has support from the local unions.

When this Agreement was completed and sent to Sacramento, UAW Local No. 509 had not agreed to this training project. The union has now agreed in wording to support the training project and wants to have 31 of their represented employees, who were initially included but deleted because of no written consent from that labor organization had been received by ETP, included in the Agreement. This will increase the requested amount of funds by approximately \$52,000.

Mr. Tagami introduced Susan Gray, Human Resources Manager. Ms. Gray introduced Phil Cooper, Chief Steward for the Bottlers Teamsters Union Local No. 896, Kathy Miller, Chief Steward for the Union Clerical Unit Teamsters Local No. 896, Ann Johnson, Training and Development Manager for Miller Brewing Co., John Rockwood, Chief Steward for the Machinists Union IAM Local No. 311, and Mike Gallagher, Chief Steward for the IBEW Local No. 2295.

ACTION: Mr. Rankin moved and Ms. Noyes seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 7 – 0.

Private Medical-Care, Inc. (PMI) dba PMI Dental Health Plan

Mr. Tagami presented a One-Step Agreement for Private Medical-Care, Inc. (PMI) dba PMI Dental Health plan in the amount of \$155,948 for 234 retrainees subject to displacement. PMI states it is a non-profit organization providing an affordable dental plan for their groups, while fairly compensating contracted providers to deliver quality care to enrolled members. In order to remain competitive, the company completed a comprehensive analysis of current workflow and existing computer systems limitations. As a result, PMI has developed a custom business operations software system. Computer Skills training is critical for the employees to understand and utilize the new system. This project is supported by the local union.

Mr. Tagami introduced Stacie Motschman, Director of Operations.

ACTION: Ms. Shockley moved and Ms. Williams seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 6 – 0 – 1 (Ms. Noyes absent during vote).

SET – UAW – Labor Employment and Training Corp.

Mr. Tagami presented a One-Step Agreement for UAW/LETC in the amount of \$375,000 which would utilize SET funds under Section 10214.5(a)(4), to stabilize employment in fields

with a deficit of trained employees and clear advancement opportunities. This Agreement is a joint project between UAW-LETC and Pacific Bell and the Communications Workers of America to train telecommunications technicians to work for Pacific Bell. This Agreement has the support of the local Union Communications Workers of America, AFL-CIO.

Mr. Tagami introduced Steve Duscha, representing UAW/LETC. Mr. Duscha introduced Carol Mullens from Pacific Bell; Nikki Williams from LETC; Rick Ressnick, Vice President of Pacific Bell.

ACTION: Mr. Zuniga moved and Ms. Shockley seconded the Panel approve the One-Step Agreement as proposed.

Motion carried, 5 – 0 – 2 (Ms. Noyes and Ms. Williams abstained).

Universal Computing Institute, Inc.

Mr. Tagami presented a One-Step Agreement for Universal Computing Institute, Inc. for \$294,875 to train 75 unemployed individuals in Computer Skills. Trainees will be individuals who are unemployment insurance recipients or who have exhausted their unemployment insurance benefits within the last 24 months.

Mr. Tagami introduced Chava Rischoni, President.

ACTION: Ms. Shockley moved and Mr. Zuniga seconded the Panel approve the One-Step Agreement as proposed.

Motioned carried, 6 – 0 – 1 (Ms. Williams absent during vote).

Video Symphony EnterTraining, Inc.

Mr. Tagami presented a One-Step Agreement for Video Symphony EnterTraining, Inc. in the amount of \$1,599,000 for 758 retrainees. Video Symphony is an Avid Authorized Education Center which provides training for a computer based, technological nonlinear editing system used to create rough edits for motion pictures, television, videocassette, DVD, and the Internet. This is the second project for Video Symphony. Under this Agreement, Video Symphony proposes to train 758 current employees from a variety of participating employers located in Southern California. Curricula will be individualized to meet the needs of each employer. The Contractor's published catalogue rate of \$37.50 per hour was previously approved by the Panel. Only those curriculum modules previously approved by the Panel at the published catalogue rate are included in the curriculum for this second project.

Mr. Tagami introduced Mike Flanagan, President. Mr. Flanagan introduced Joseph Champa, President of the National Association of Broadcast Engineers and Technicians local union.

ACTION: Ms. Shockley moved Ms. Williams seconded the Panel approve the One Step Agreement as proposed.

Motion carried. 7 – 0.

XIII. PUBLIC COMMENT

Mike Kelly, stated he is assisting Trade and Commerce write its strategy relative to what the state should be doing with their resources in support of small and intermediate manufacturers. He commented he hopes that all of the Panel's training investments will be truly successful. He expressed concern with all the academic institutions there are now, noting that if they were doing a more effective job with their training, we would not have to be using public money to train people to learn how to do their job. He believes with the expansion of so many new corporate universities, it is evident that the fastest growing skills education training is coming from private industry. He is concerned that ETP is perpetuating a system of turning education over to private industry because they are doing a much better job.

XIV. EFFECTIVENESS OF ETP FUNDED TRAINING

Mike Rice, manager of ETP's Planning and Research Unit, introduced Dr. Richard Moore from the California State University at Northridge, Department of Management. Dr. Moore introduced the study team: Daniel Blake, Labor Market Economist, Michael Phillips, Professor of Finance, Amy Cheung von Hamm, graduate. Dr. Moore reviewed the project goals to assess the impact of ETP training on trainees, companies, and the State's economy, as well as where to target funding, and the source of the impact of ETP training. He reported there are two reports in Sacramento entitled "ETP at Work," which is the qualitative analysis report they presented in January 1999, and "Training that Makes a Difference," which is the analysis of 57,000 trainees' earnings and employment, and ETP's impact on company growth and California's economy.

Ms. von Hamm reported on the qualitative analysis of 23 randomly selected ETP projects from 1995-1996. Projects were selected from stand-alone contracts, employer consortia, training agencies with industry specific skills, and training agencies with generic skills. At each company, the team examined the contract file, interviewed managers, conducted focus groups and interviews with trainees and supervisors, administered an evaluation instrument so that the team could statistically give ETP some sense of the responses given, observed the production process, and collected data on any productivity changes as a result of the training.

Dr. Moore gave a quick summary of the results from the previous report "ETP at Work." After looking at the 23 cases, they summarized the causes of ETP training impact. They used a formula of multiplying the potential gains by the quality of training, then by the management reinforcement of training, to arrive at the value of potential gains realized. They discovered there was a wide variation in potential gains. They found poorly run companies might be the best targets for ETP. High quality training does not guarantee a significant impact. Management reinforcement after training determines the ultimate impact of training. They

found there was a full potential range of gains realized from the stand-alone contracts and the consortia contracts. The potential gains realized from the training agencies were found to be limited. The results showed that industry specific training had the highest overall quality of training, with the generic training showing the lowest.

Dr. Phillips summarized the impact the training had on trainees and companies by using EDD records to track earnings and employment of 57,000 trainees from ETP projects that closed from 1994 through 1996. The study team created industry weighted control groups for comparison, and they compared new hires and retrainees. The overall analysis found ETP trainees had much more stable employment after training than similar workers without such training. They were unemployed less and were less likely to change industries. The analysis on the company impact measured the growth in total employees, total earnings, and growth in earnings per employee. The results showed that companies that participated in ETP training grew faster than similar companies that did not participate. Companies that contracted directly with ETP grew fastest, followed by companies that were served through consortia, and those companies served by training agencies grew the slowest.

Dr. Blake explained the conclusion relative to the impact of ETP training on the State's economy came from data collected on training contracts ending in 1994-95 and 1995-96 totaling approximately \$73 million. ETP had a positive impact on the state's economy by increasing trainees' employment stability, increasing trainees' productivity, and keeping jobs in California. The analysis estimated there was a benefit impact of over \$414 million on California's economy, which far exceeds the costs. It was noted that this analysis is not complete as it does not capture the benefits that may inure to the state when ETP is used as an economic development tool to bring new jobs into California.

Dr. Moore explained that the analysis is extremely conservative. He summarized the key findings and made the following recommendations: 1) ETP must strive to continually improve the quality of training offered through its contracts; 2) ETP must continue to target its resources toward basic industries; 3) ETP should increase the proportion of funds targeted toward retrainees threatened with displacement; 4) ETP should target training to companies that are below industry best practices; 5) ETP should encourage management reinforcement of training; 6) ETP should increase the amount of customized employer-provided training and reduce the amount of generic, training-agency training; do not fund training where employers are not paying a significant share of the costs; phase out general skills training over two years and focus on industry specific skills training; 7) ETP should not require that a minimum or maximum proportion of a company's workers be trained; 8) ETP should continue to attempt to measure the impact of ETP training on individual companies; and 9) Continue to create incentives and sanctions to ensure complete and correct data reporting.

XV. PUBLIC COMMENT

Steve Duscha complimented the California State University, Northridge, on the studies they have performed over the past several years and the results they show. He emphasized the average ETP company had a 14 percent increase in employment in the year after training

compared to the average California company in similar circumstances who had a 1 percent decline in employment. He expressed concerns about generic training by training agencies.

XVI. EXECUTIVE SESSION

Mr. Duncan announced there would be no Executive Session.

XVII. ADJOURN

There being no further business, the meeting was adjourned at 3:35 p.m.